

# Fiscal Note

*Fiscal Services Division*



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**HF 730** – State Central Contracting (LSB1818HV)

Analyst: Beth Lenstra (Phone: 515-281-6301) ([beth.lenstra@legis.state.ia.us](mailto:beth.lenstra@legis.state.ia.us))

Fiscal Note Version – New

Requested by Representative Nathan K. Reichert

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## **Description**

**House File 730** authorizes the Department of Administrative Services (DAS) to negotiate master purchasing contracts for products currently manufactured by Iowa Prison Industries. The Bill requires State agencies, including the Board of Regents, to purchase products on the master contract, if such a contract is negotiated by the DAS. Local governments are permitted to use the master contract. House File 730 requires the DAS to utilize a Request For Proposals process to negotiate a master purchasing contract for furniture. Iowa-based manufacturers are given preference if otherwise comparable in price. Iowa Prison Industries is permitted to bid on the RFP.

## **Background**

1. The Board of Regents indicates costs for affected items will increase by 30.0% plus a 1.0% administrative fee to the DAS. The Board currently uses several brands of furniture. The universities currently re-use approximately 25.0% of existing components when configuring new work areas, based on available surplus. If the universities are mandated to use a vendor from the master contract that is currently not a provider, the option of using surplus property will diminish over time.
2. Under current law, Iowa Prison Industries may sell to any tax-supported entity, including its employees, non-profit organizations, and non-profit health care facilities serving Medicaid or Medicare patients.
3. Iowa Prison Industries currently operates in the Anamosa, Fort Madison, and Mitchellville prisons, and manages a surplus property operation in Des Moines. There are 235 inmates employed on average, and 39 staff funded from the Iowa Prison Industries Revolving Fund.
4. Total FY 2008 sales for Iowa Prison Industries was \$20.8 million. This figure includes \$6.9 million that may be included in the furniture category (metal furniture, custom wood products, furniture, panels and seating).
5. The DAS indicates this Bill has no fiscal impact on its operations. No additional staff are needed.
6. The State accounting system classifies expenditures by code. A report was created using the codes for equipment, non-inventoriable equipment, and office equipment. These codes include furniture, desks, chairs, filing cabinets, book shelves, and tables. Total FY 2008 purchases by State agencies for the three accounting codes were \$2,093,000. Total FY 2009 purchases were \$1,041,000 through March 13, 2009. These figures do not include purchases by agencies or institutions under the purview of the Board of Regents.

### **Assumptions**

1. The DAS may enter into master contracts for products other than furniture. To the extent this occurs, Iowa Prison Industries will be impacted.
2. The impact on Board of Regents operations depends on how the master contract is implemented. If the RFP results in selection of a vendor that is currently not a Board of Regents supplier, the Board's costs will increase.

### **Fiscal Impact**

The fiscal impact cannot be estimated. To the extent that DAS implements any master contract that results in lower prices than current practice, savings in purchases will occur. However, if a master contract results in higher prices than current experience, operating costs will increase.

### **Sources**

Department of Administrative Services  
Iowa Department of Corrections

/s/ Holly M. Lyons

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March 23, 2009

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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